mining, global player, ferrochrome, safety, partnerships, JSE SRI index, diversification, joint venture, South Africa, communities, empowerment, Mining Charter, diversity, stainless steel, cooperation, social responsibility, assurance, producer, skills profitability, loyalty, development, sharing, stakeholders

Results Presentation

For the six months ended 30 June 2012

Presented by Zanele Matlala and Kajal Bissessor

Merafe Resources Limited

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Quote from the CEO

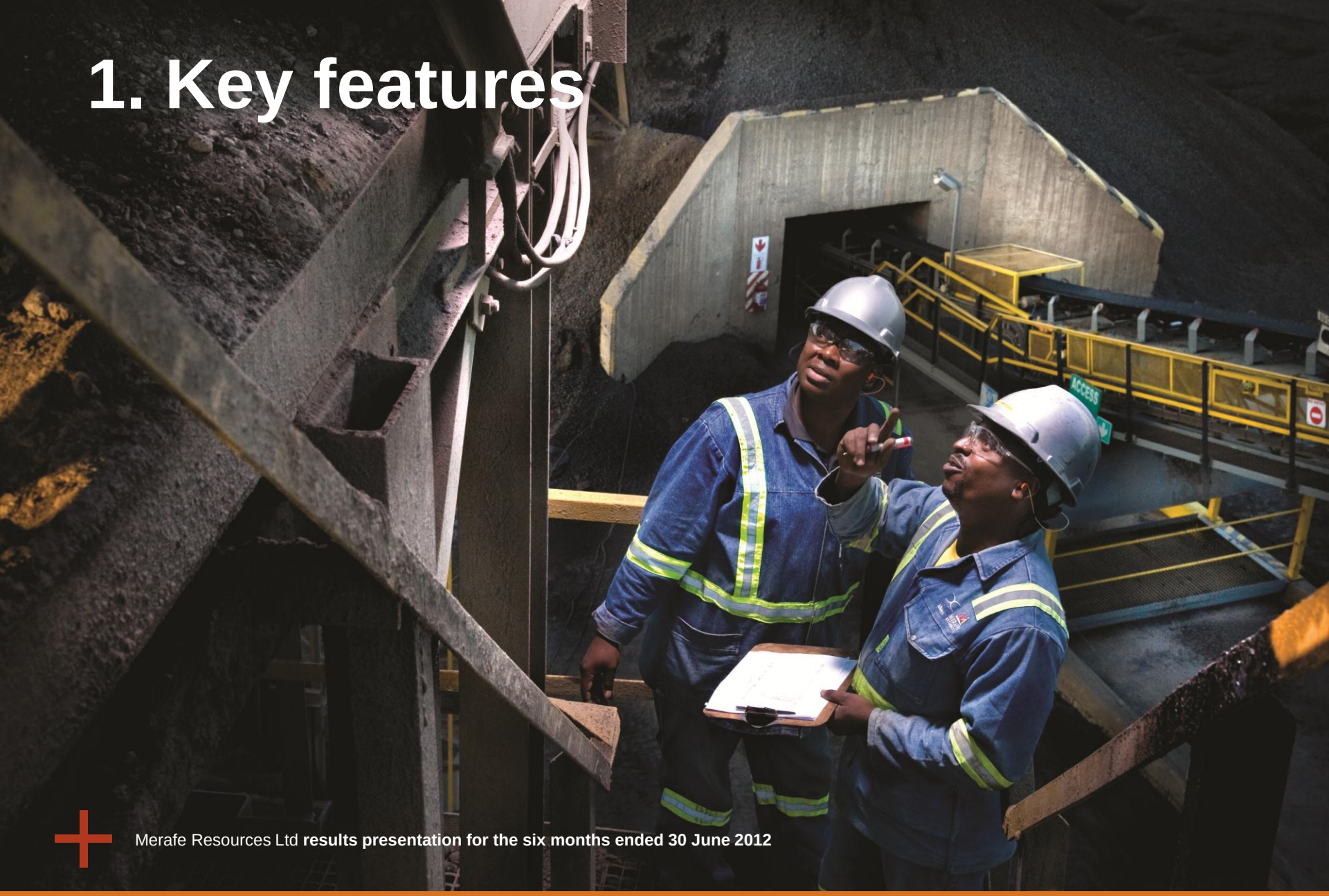
"I am delighted that in my first report as Chief Executive Officer I am able to advise you that despite the challenges in the first half of 2012, we achieved a 57% increase in our basic earnings per share, period on period. Production costs were contained at an overall increase of 4.5%, period on period, despite high mining inflation levels. We closed the period with a cash balance of R80m and have undrawn debt facilities with ABSA of approximately R500m. I am also pleased to report that project Tswelopele, our new pelletiser at the Rustenburg plant is on track and on budget and will be commissioned in the second half of this year. Our flagship project, Lion II, is also within budget and on track to be completed in the second half of 2013." *Zanele Matlala*

Agenda

1. Key features
2. Sustainability
3. Market review
4. Financial review
5. Project pipeline
6. Outlook and way forward

Appendices

1. Key features



Workers in the metal extraction plant at Boshoek ferrochrome plant performing a visual inspection of moving parts in the plant

Key features for the period

- 7% decrease in revenue
- Profit of R138m, increase of 57% in basic EPS
- Cash flows from operations of R134m
- Total recordable injury frequency rate improved by 7%
- Contained mining costs despite high mining inflation levels
- Project Tswelopele is on track and on budget - expected to be commissioned in H2 2012
- Lion II is on track and on budget - expected to be commissioned in H2 2013

2. Sustainability



The sustainable development team at the Lion ferrochrome plant records the details of an indigenous plant being relocated to make way for a new development at the plant in Limpopo province

Sustainability

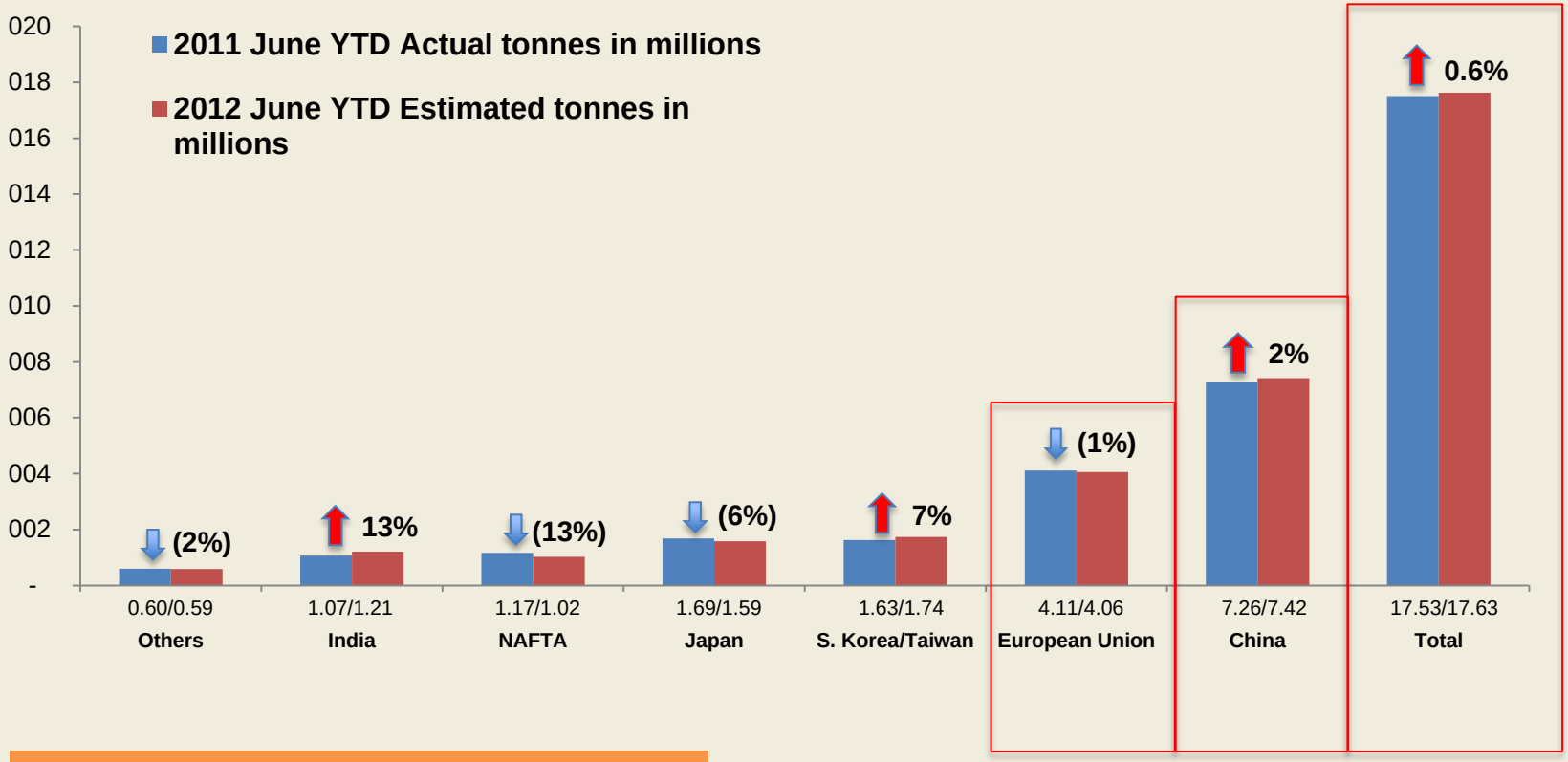
- Safety
  - TRIFR improved by 7%
- Labour and Community unrest
  - Impacted Project Lion II

3. Market review



Maintenance work under way on the tailings dam at Boshoek ferrochrome plant in North West province

Marginal increase in stainless steel production

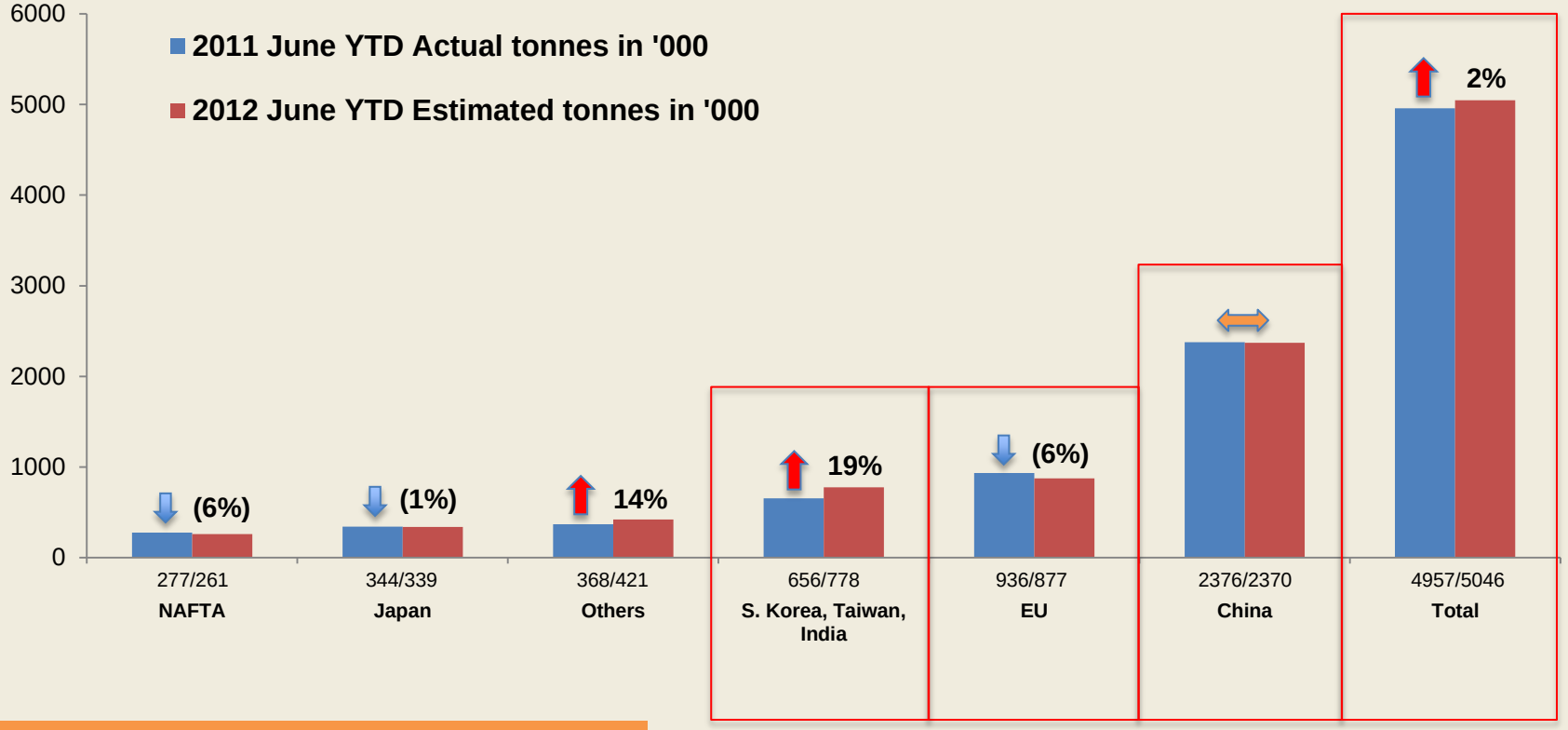


	2012	2011	Change
Full year tonnes in millions *Estimate	**35.4***	34.1	4%

Source:
Heinz H. Pariser July 2012

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2% increase in global ferrochrome demand

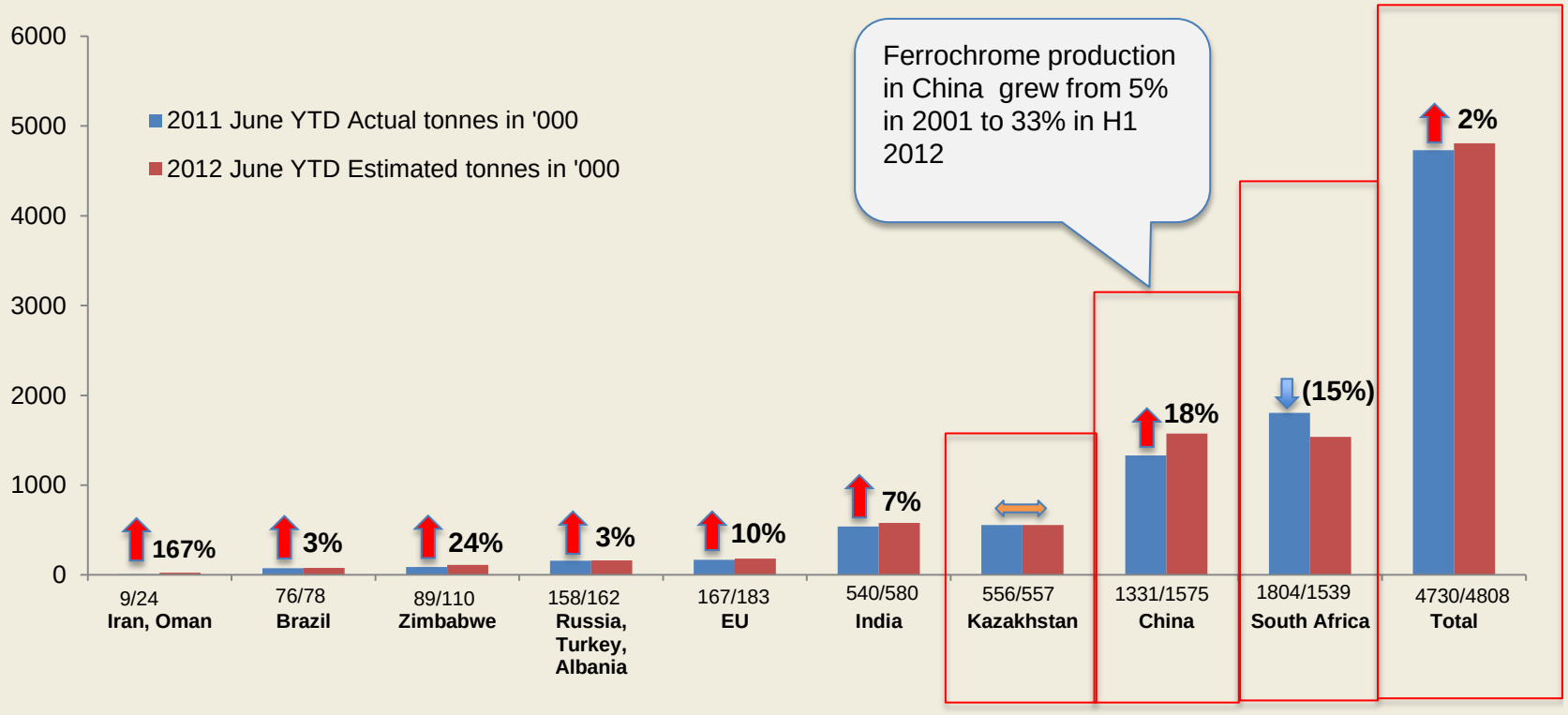


	2012	2011	Change
Full year tonnes in '000 *Estimate	**10 023***	9 554	5%

Source:
Heinz H. Pariser July 2012

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2% increase in global ferrochrome supply



	2012	2011	Change
Full year tonnes in '000 **Estimate*	**9 646***	9 183	5%

Source:
Heinz H. Pariser July 2012

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Chrome ore imports into China remain significant

	2012 (June YTD)	2011	2010
	'000t	'000t	'000t
South Africa	**2 133**	4 675	3 100
Turkey	**832**	1 612	1 933
Oman	**222**	645	902
India	**201**	439	389
Pakistan	**215**	440	512
Albania	**122**	357	363
Iran	**253**	330	350
Zimbabwe	**1**	212	160
Madagascar	**51**	86	115
Australia	**235**	208	201
Philippines	**109**	137	150
Brazil	**-**	60	77
Kazakhstan	**19**	94	243
Others	**46**	149	172
Total	**4 439**	**9 444**	**8 667**

Source:
Chinese Customs / July 2012

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What are we doing about this?

- Advancing our engagement with the South African government
- A solution for the entire chrome value chain
  - Short term: chrome export levy on unbeneficiated ores
  - Long term: regulation of the supply of ore in line with demand

Volatility in the market in the first half of 2012

- Eurozone debt crisis and US debt ceiling debacle coupled with the Chinese New Year resulted in an unstable market at the end of 2011
- The Q1 2012 ferrochrome price was settled 4% down
- Improved sentiment in Europe and a good start to the US earnings season as well as SA Eskom buy back arrangements resulted in ferrochrome prices improving by 17% in Q2 2012
- Renewed concerns over European debt, lower growth rates in China, lower nickel prices as well as general weaknesses across the global economy resulted in a 7% decrease in the ferrochrome price

Ferrochrome price overview	
Q4 2011	**120 USc/lb**
Q1 2012	**115 USc/lb**
Q2 2012	**135 USc/lb**
Q3 2012	**125 USc/lb**

4. Financial review



Boshoek ferrochrome plant in the North West province

Weaker rand and contained costs result in higher profits

- Profit of R138m in comparison to R86m
- Production cost increases contained at 4,5%
- Cash balance of R80m
- Long Term Debt of R300m and unutilised ABSA facility of R500m

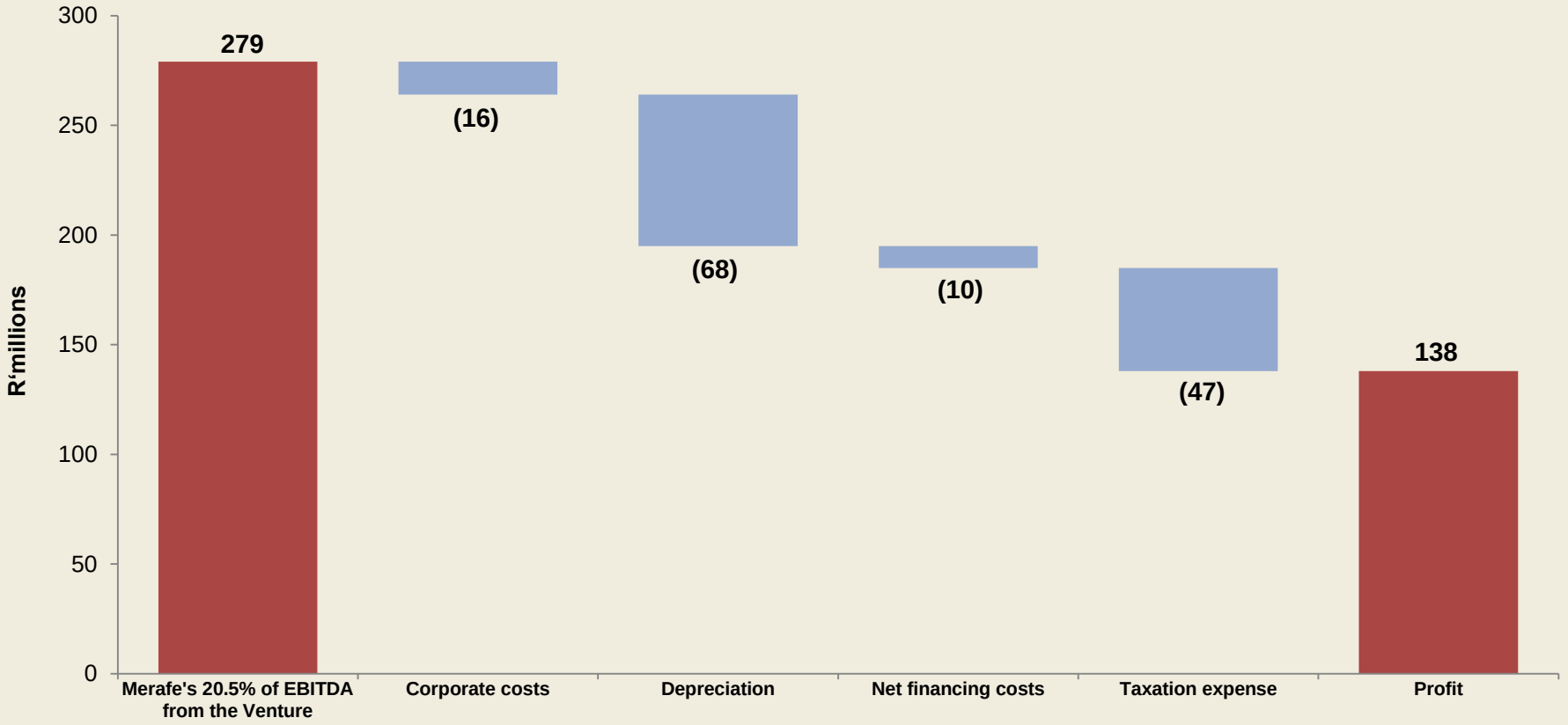
Revenue decreased by 7%

- – Reduced ferrochrome sales tonnes
- – Reduced ferrochrome sales prices
- \+ Weaker Rand
- \+ Increase in chrome ore sales

	2012 June YTD	2011 June YTD	
	Reviewed	Reviewed	% Change
Ferrochrome sales tonnes	**123 900**	146 100	(15%)
Average exchange rate (Rand:USD)	**7.90**	6.90	14%
Average benchmark ferrochrome price in Usc/lb	**125.00**	130.00	(4%)

Chrome ore revenue as a percentage of total revenue increased from 11% in the first half of 2011 to 14% in the first half of 2012

Reconciliation of EBITDA to profit



EBITDA increased by 28%

- Production costs per tonne increases contained at 4.5%
- Non-recurring 2011 indirect tax charges of R30m

Power buy-back arrangement

- The Venture temporarily closed seven of its furnaces from February 2012 to May 2012 resulting in 130 000 lost ferrochrome tonnes
- In return, Eskom bought back the energy not consumed by these seven furnaces
- This resulted in a net positive impact for both the Venture and Eskom
- No job losses

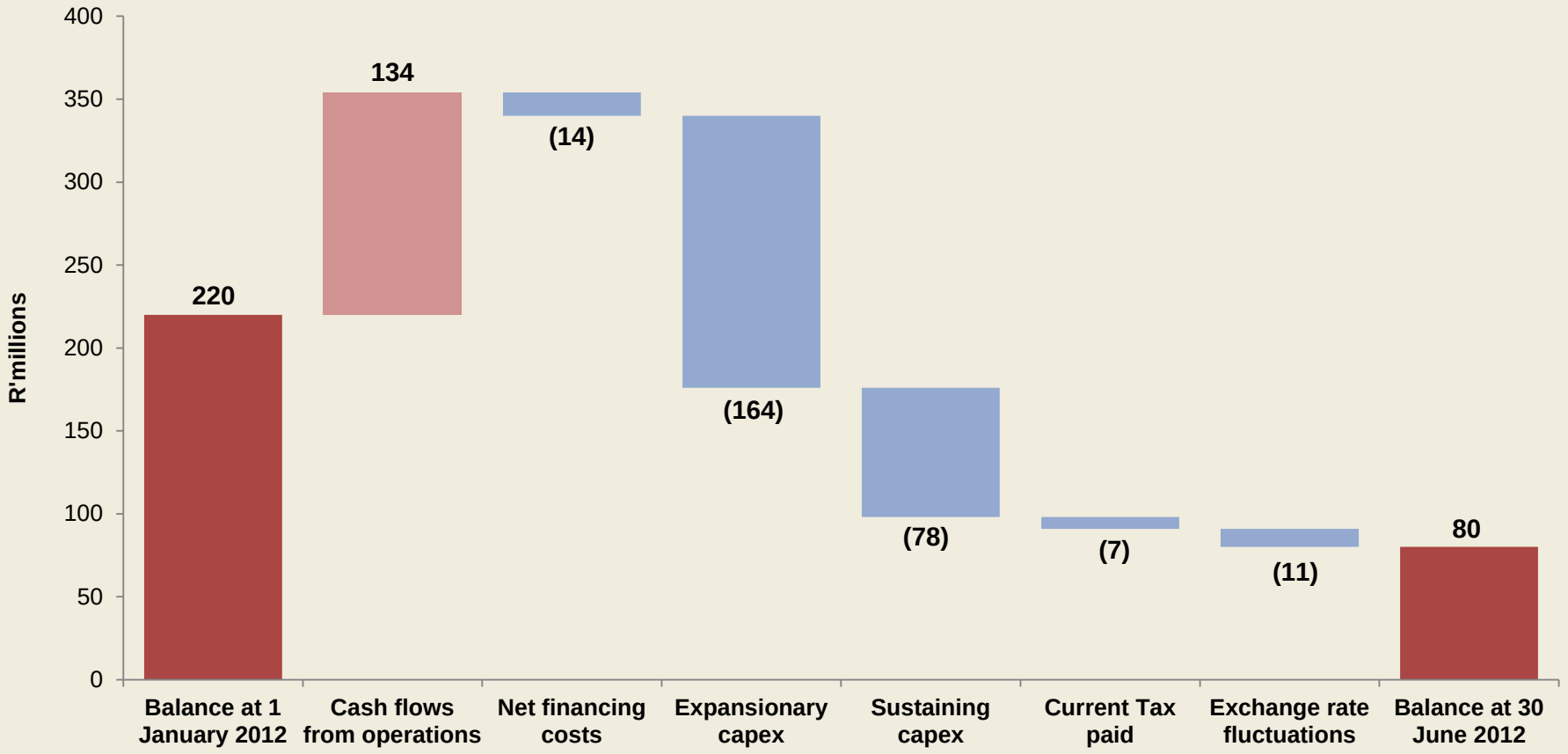
Balance sheet

	As at 30 June 2012	As at 31 December 2011
	Reviewed R'000	Audited R'000
Property, plant and equipment	**2 541 110**	2 372 768
Total current assets	**1 558 603**	1 549 370
Inventories	**1 090 031**	1 065 932
Trade and other receivables	**362 845**	262 979
Current tax asset	**26 102**	–
Cash and cash equivalents	**79 625**	220 459
Total assets	**4 099 713**	3 922 138

Balance sheet

	As at 30 June 2012	As at 31 December 2011
	Reviewed R'000	Audited R'000
Total non-current liabilities	**947 844**	867 378
Loans and borrowings	**312 477**	312 778
Provision for close down and restoration costs	**50 109**	48 396
Deferred tax	**585 258**	506 204
Total current liabilities	**355 965**	396 092
Trade and other payables	**352 229**	375 946
Loans and borrowings	**592**	508
Financial liability	**3 144**	6 098
Current tax liability	**–**	13 540
Total liabilities	**1 303 809**	1 263 470

Cash flows from operations of R134m



Financing of Lion II – No rights issue expected

	R' millions
Total Project cost (Merafe's portion at 20.5%)	1 000
Less: Capital expenditure to 30 June 2012	(240)
Capital expenditure outstanding	**760**
Expected financing:	
Cash on balance sheet	80
ABSA debt – unutilised facility	500
Venture overdraft facility (Merafe's portion at 20.5%)	180
Total facilities available	**760**

5. Project pipeline

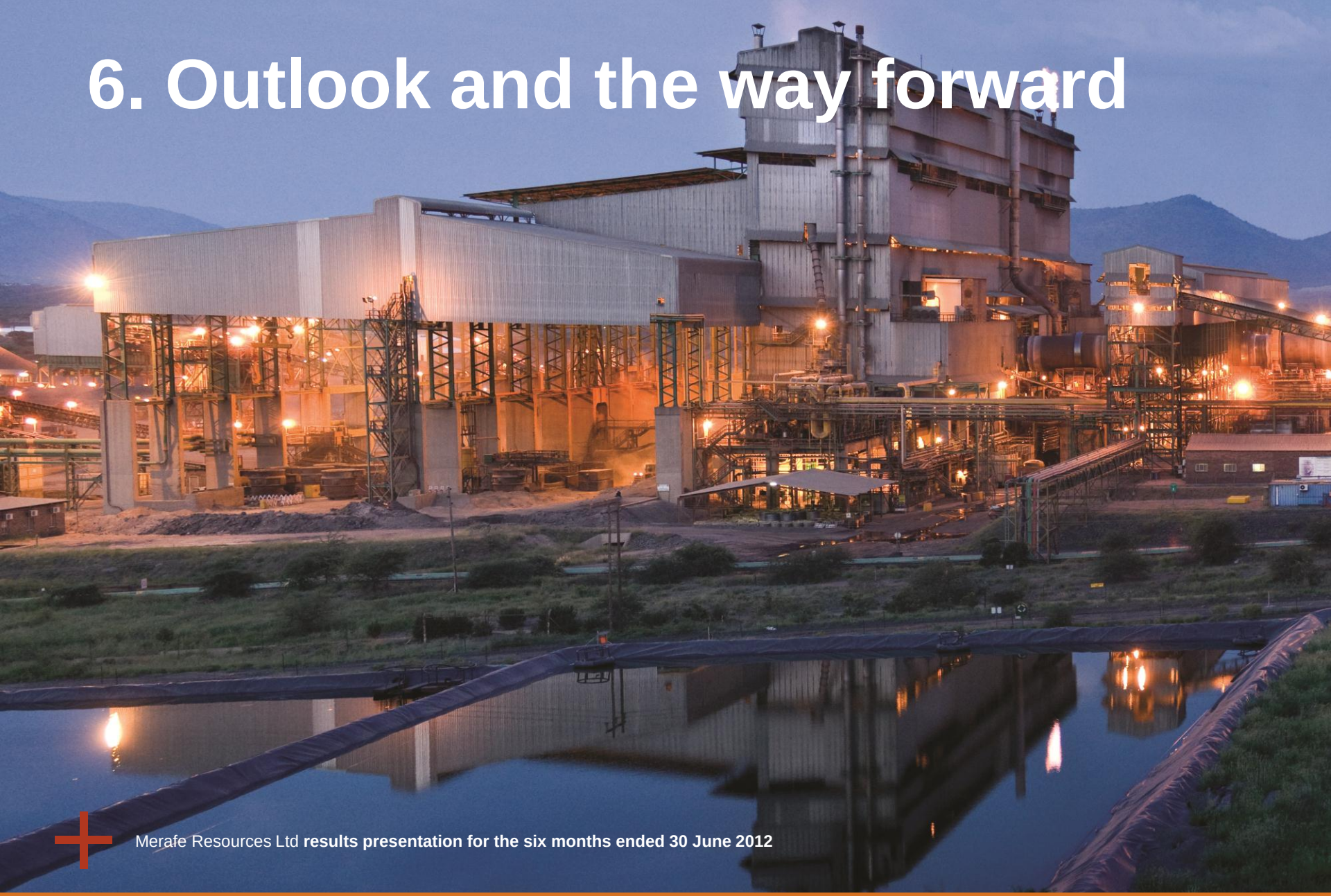


Lion I: a worker inside the Furnace Workshop store is attending to some of the routine maintenance on specialist equipment

Projects are on track and on budget

	Description	Project Cost (Merafe's portion at 20.5%)	Completion Date	Progress
1	Lion II smelter complex 360 000 tpa of ferrochrome smelting capacity and development of Magareng mine	R1bn	H2 2013	On track to be completed within schedule/budget
2	Project Tswelopele 600 000 tpa pelletising and sintering plant at Rustenburg smelter	R190m	H2 2012	On track to be completed within schedule/budget
3	Horizon mine development 480 000 tpa	R66m	H1 2013	On track to be completed within schedule/budget

6. Outlook and the way forward



The Lion ferrochrome plant at Steelpoort, Limpopo province, which the lowest-cost producer of ferrochrome in the Venture. The plant uses the Venture's proprietary Premus technology

Outlook

- We expect the stainless steel production to grow by 4% in 2012 and by 5% in the long-term which is expected to increase demand for ferrochrome
- Lower production in South Africa is expected to result in tight supply
- The Venture's suite of energy efficient technologies leaves it well positioned for the upturn in global demand

The way forward



Our goals remain focused:

- To ensure our interests in the ferrochrome industry are profitable and sustainable
- To continue with organic growth of our ferrochrome business
- To grow through diversification

Questions

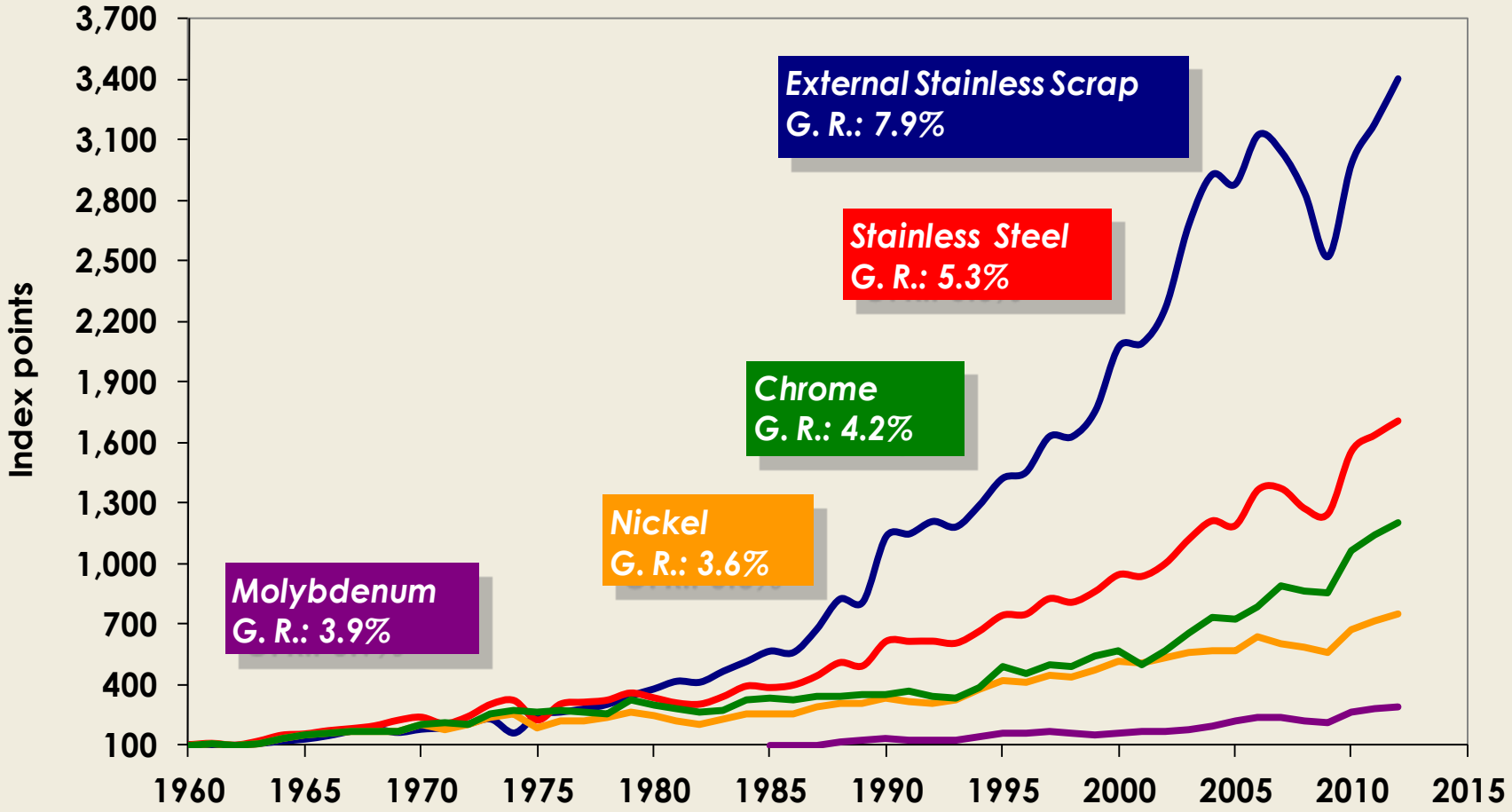


7. Appendices



The sustainable development team at the Lion ferrochrome plant in Limpopo province inspect a lining laid in preparation for the construction of a tailings dam. The lining prevents any leakage from the tailings dam

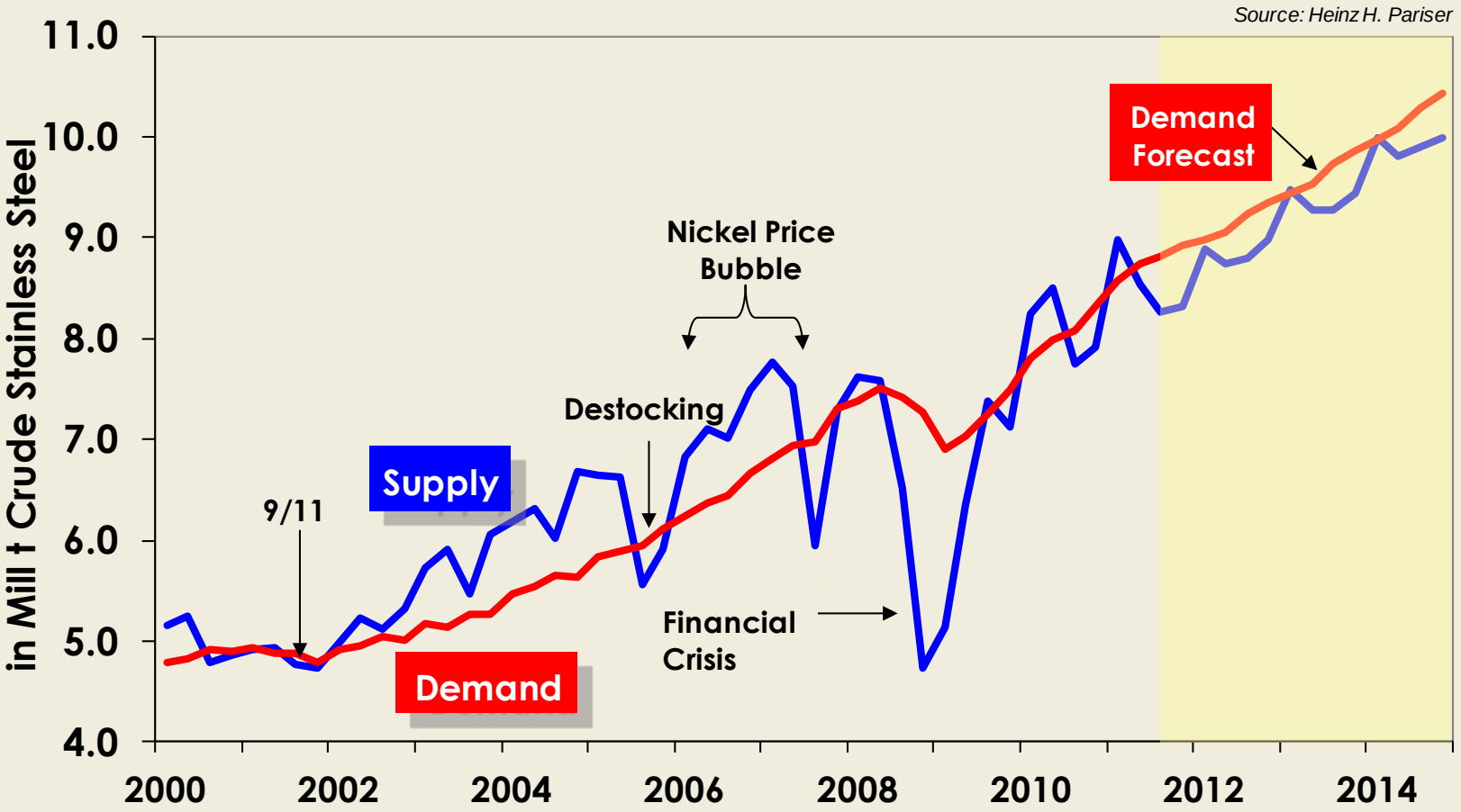
Stainless steel cluster



Source:
Heinz H. Pariser July 2012

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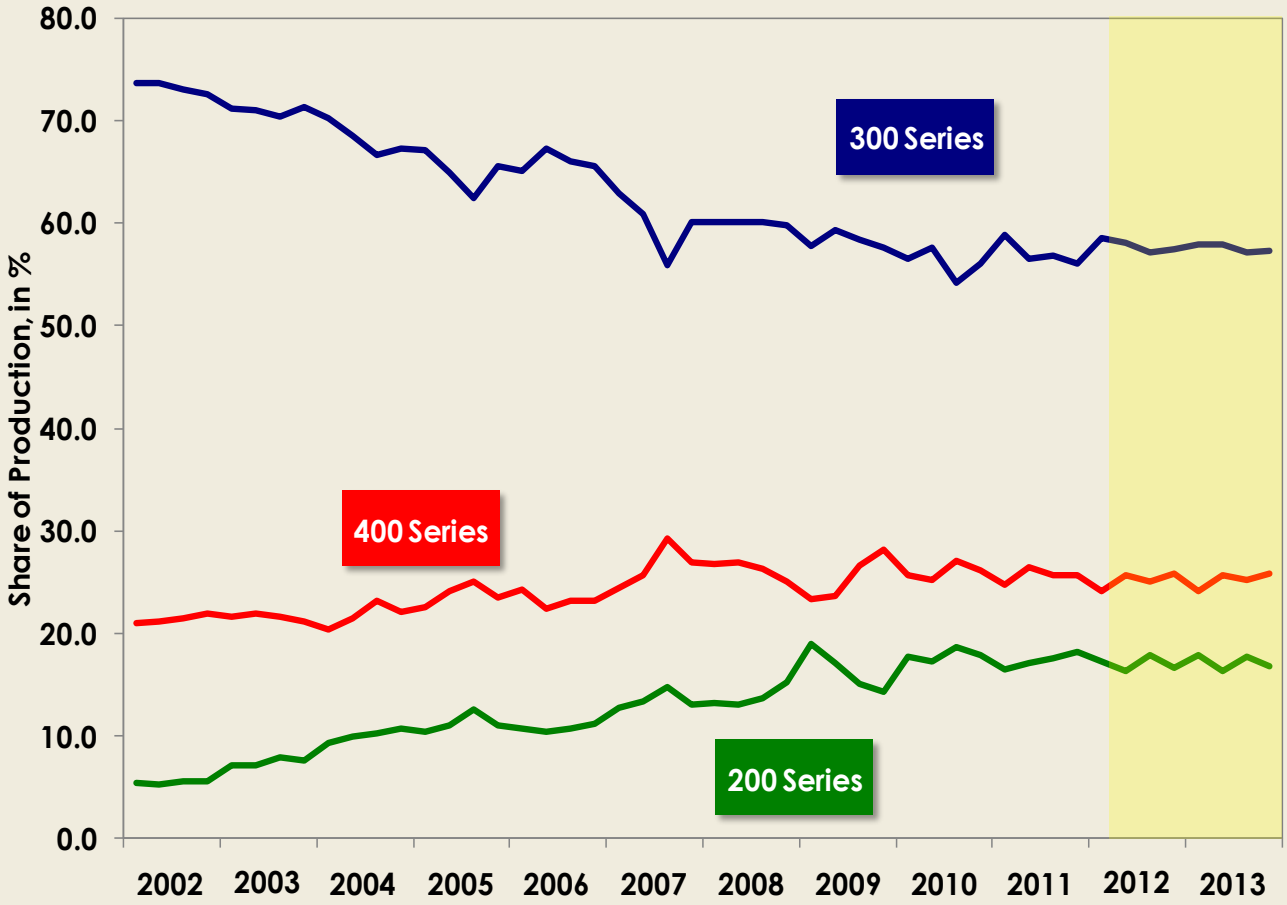
Stainless steel supply and demand balance



Source:
Heinz H. Pariser July 2012

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Stainless steel product mix



300 Series (Austenitic: 17%-22% chrome & 7%-25% nickel, most corrosion resistant)

400 Series (Ferritic: 10.5%-22% chrome, no nickel)

200 Series (Chrome manganese: 16%-18% chrome, 2%-4% nickel and 6%-9% manganese)

Source:
Heinz H. Pariser July 2012